

OCT 11 1978

UNIVERSITY OF CALIFORNIA

city of del mar
memorandum

To: CITY COUNCIL

Date: MAY 30, 1978

From: CITY MANAGER

Subject: POSSIBLE EFFECTS OF PROPOSITION 13 ON CITY BUDGET
FOR 1978-1979

Having completed a preliminary review of the recommended budget for the coming fiscal year, the real threat of the passage of Proposition 13 on June 6 should be addressed. The following describes to the best of our present capacity, the impact which that proposition would have on the budget for next year, as it now stands. Keep in mind that Proposition 13 is a very ambiguously worded act which leaves many questions unanswered and is imprecise as to how it is applied.

UNIVERSITY OF CALIFORNIA

I. Effect on Revenues

The immediate effect falls upon the property tax revenue. The County Board of Supervisors would decide how the total allowable property tax revenue would be distributed among all of the taxing entities. The Board has not indicated yet how that would be done.

If we assume that all entities will receive a proportionate share, the amount of property revenues that Del Mar would receive is \$128,720.

The current budget, including the City Council's proposed 15¢ tax rate reduction, anticipates property tax revenues of \$354,107. This amount includes current State reimbursements for Homeowners and Business Inventory exemptions, but excludes second year future effects on the unsecured property tax revenues, as well as other affected revenues, and the present 5.5¢ tax rate on sewer G. O. bonds.

Thus, the revenues anticipated for the coming fiscal year would be reduced by \$225,387 under the most favorable assumptions, and by \$354,107 under the worst assumption.

II. Revenue - Requirements "Gap"

As the budget for the coming year now stands, the effect of the revenue decrease would be divided solely between the City's General Operating and Capital Improvements Funds. The attached Schedule A shows these effects, by fund, based on the budget as the Council has left it.

Not allowing any amounts for contingency reserves, the General Operating Fund would face a deficit of from \$137,650 to \$234,621.

III. Alternative Revenues

Among the provisions of Proposition 13 is that any "special taxes...., except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property" can be imposed by a two-thirds vote of the "qualified electors." Other than the property tax limit itself, this is the second most controversial element of the measure. The wording is so unclear, it is virtually impossible to predict how it will be interpreted by the courts. Consequently, other than raising existing fees for services, the City should not rely upon contemplated "new" tax sources for replacing revenues, at least until the ambiguities are clarified.

Existing fees for services consist of:

- Business Licenses
- Street and Curb Permits
- Parking Fines
- Zoning and Subdivision Fees
- Planning (EIR and miscellaneous application fees)
- Sale of Maps and Publications
- In Lieu Fees from the Sewer and Water System
- Water and Sewer Service Fees

None of these, other than water and service charges, raise substantial revenues now.

Some new possible fees to be considered include:

- Fees for planning appeals
- Fees for fire and emergency responses
- Parking meter collections

IV. Expenditure Alternatives

Clearly, programs and expenditures will need to be reduced. However, since the lost revenues affect only the General Operating and Capital Improvement Reserves, not all programs are directly affected. The street, water and sewer programs are unaffected by Jarvis-Gann, at least directly.

Those programs of the General Fund that are affected are shown on Schedule B, attached.

Since the programs are all now tightly budgeted, any reduction will have immediate effect on the quality and level of service. In some cases, it would be better to eliminate or delete a program entirely, rather than attempt to reduce it.

Some suggestions are:

	<u>PROGRAM EFFECT</u>	<u>COST REDUCTION</u>
422	Fire and Emergency - discontinue Reserve program; rely on initial aid for backup, if available	\$ 30,000
423	Beach Animal Control - delete	4,460
425	Lifeguard Services - reduce proportionately or delete	Up to 90,439
431	General Public MTC - reduce to minimum level of 1977-1978	12,000
435	Flood Control and Drainage - delete beach berm project	3,400
437	Beach Erosion Survey - delete	1,982
442	Beach Services and Facilities - eliminate beach cleaning; maintain restrooms only	7,270
Various	Generally tighten restriction on paper consumption, meetings and travel, City Hall coffee, etc.	<u>10,000</u>
	TOTAL	Up to \$159,551

The above list includes elimination of two permanent lifeguard positions and one vacant Public Maintenance worker. No other positions would be affected.

V. Inter-fund Transactions

Other options the City Council may wish to explore include passing some (or even all the effect of Proposition 13) on to other funds. These possibilities include the following:

- a. Use Revenue Sharing for existing essential services (delete support for community programs) \$ 30,000
- b. Reallocate open space revenues not needed for debt service or current levels of maintenance (delete further park developments or acquisitions) 86,000
- c. Shift existing General Obligation Bonds (open space and sewer) entirely to the unaffected property tax rate; transfer current revenues supporting these bonds to the General Fund 80,000



Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

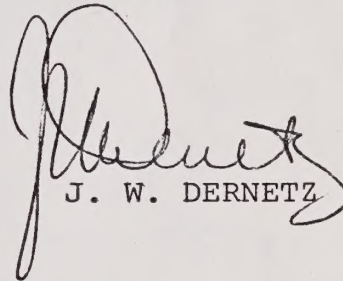
<https://archive.org/details/C123311532>

d. Delete the Capital Improvements Reserve
(assuming the "best" alternative) and drop
the Civic Center improvement; transfer these
revenues to the General Operating Fund 31,750

TOTAL \$227,750

VI. Conclusion

The combined total of program reduction or elimination with inter-fund transactions noted amounts to \$387,301. With the inclusion of second year indirect effects of the property tax reduction, that amount is about sufficient to cover the "worst case" assumptions of Proposition 13 and provide an adequate level of contingent reserve.



J. W. DERNETZ

78 03881

U.C. BERKELEY LIBRARIES



C123311532

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

OCT 14 2024

UNIVERSITY OF CALIFORNIA